GOVERNMENTS FAVOUR TO . HINDUJAS

2623. SHRI JAGDISH PRASAD MATHUR Will the Minister of FINANCE be pleased to state :

(a) whether Government's attention has been drawn to newsitem published in the Business Express dated 24th Novem ber. 1993 under the caption Government trying to favour Hindujas"; and

(b) what is Government's reaction and approach to various issues raised in the newsitem ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINISTER OF STATE IN THE MINISTRY OF PARUAMENTARY AFFAIRS (DR. ABRAR AHMED) ,: (a) Yes, Sir.

(b) The question of non-resident investment in the equity of the new private sector banks has been engaging the attention of RBI for quite sometime. Some of the applicants indicated In their applications that they would endeavour to bring in funds from NRIs, Overseat Corporate bodies, etc. The matter has been examiped and it has been decided that NRI participation in the primary equity of a banking company may be allowed to the extent of 40 percent. In the case of a foreign banking company or finance company equity participation may be restricted to 20 per cent. It may be relevant to add here that under the existing regulations, Indian companies engaged in manufacturing, industrial activities, etc. are permitted to offer 40 per cent of their new equity issues to NRI and Overseas Cbrporate Bodies.

REDUCTION IN INTEREST RATES

2624. SHRI S. S. SURJEWALA : Will the Minister of FINANCE be pleased to state :

(a) the number of times the Reserve Bank of India have issued instructions to the nationalised commercial banks to reduce the interest rates on fixed deposits and short-term deposits during each of she last two years;

(b) what are the reasons for reduction in the interest rales on such deposits;

(c) to what extent the reduction in interest rates has adversely affected the middle and lower middle class depositors, particularly retired and retiring Government servants and other employees; and

(d) whether the frequent fluctuations in interest rates have affected the deposits in the banks and if so, what are the de tails n th;s regard ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND MINIS-'I'ER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS (DR. ABRAR AHMED) : (a) and (b) The structure of interest rates of Commercial Banks in determined by Reserve Bank of India (RBI) taking into account a number of factors like the growth rate of economy and sub sectors, the rate of inflation, the pace of monetary expansion, the costant of raising resources by banks, the profitability of the banks etc., Keeping in view the above factors, -RBI revises the interest rale structure from time to time. Since October, 1991 there have been 4 changes in term depos ts rate and two changes in savings deposits rates. The details of these changes are given in the Statement *(See* below).

(c) Growth of bank deposits and small savings in a region and in a particular year depends on the number of factors including rate of growth of economy, the inflation rate, the relative attractiveness for the other instrument of savings. Keeping in view the above factors, there is unlikely to be any adverse effect on the Slow of bank deposits and small savings from various segments of the society.

(d) As per information, received from RBI, aggregate deposits of pommercial banks have shown a rise of Rs. 24,450 crores as at the end of November 26, 1993 during the current financial year as against a working estimate of deposits growth of Rs. 39,000 crores for the full year.